



# Memorandum

**TO:** CITY COUNCIL

**FROM:** Mayor Chuck Reed

**SUBJECT:** SEE BELOW

**DATE:** February 19, 2010

Approved

*Chuck Reed*

Date

*2/19/10*

**SUBJECT: APPROVAL OF THE AGENCY'S FY 2009-10 REVISED CAPITAL AND OPERATING BUDGETS AND THE FY 2010-2015 CAPITAL IMPROVEMENT PROGRAM**

## RECOMMENDATION

That the Redevelopment Agency Board and the City Council jointly approve and adopt the proposed Fiscal Year 2009-2010 Redevelopment Agency Capital and Operating Budget and 2010-2015 Capital Improvement Program (CIP), with the direction that until funds to make payments to the State are secured and until further direction from the Agency Board is provided, the Agency Executive Director is directed to not spend any unrestricted funds unless contractually obligated or for budgeted operating expenses.

## BACKGROUND

The Redevelopment Agency budget is being considered during uncertain economic times. Uncertainties in the financial markets might impact short term borrowing. The State of California might attempt to take even more money. Payments to Santa Clara County still need to be renegotiated. Given these uncertainties and with the Agency's finances impacted by the severe economic crisis, the Agency had taken the following actions:

1. Reduced of capital project expenditures for FY 2009-10 by approximately \$100 million (or 50%) from the budget approved the previous year. Similar significant reductions are proposed for the capital budget in each of the next two years. FY 2009-10 budgets approximately \$100 million; FY 2010-11 budgets approximately \$40 million and FY 2011-12 budgets approximately \$20 million.
2. Reduced its staff by approximately 25% in September 2009.
3. Evaluated current encumbered/committed funds, and liquidated almost \$5 million.

In these challenging times, we also must focus our limited resources on our top priorities. This budget and the revisions follow the guidance given by the community through a community survey, neighborhood and Council priority setting sessions, numerous public hearings, a Council study session and a Mayor's Redevelopment Agency Budget Message workshop which drew over 130 participants to City Hall.

Consistent with our priorities and the Board's December 2009 direction, these revisions are aimed at growing the local economy, generating revenue and jobs, leveraging private investment, building housing, keeping our neighborhoods safe and investing in needed public infrastructure and facilities.

The Board is considering the proposed revisions to the Agency's 2009-10 Capital and Operating Budgets and the Agency's 2010-15 Capital Improvement Program. A number of separate but related memos recommending various actions are before you, including:

1. Revisions to FY 2009 Operating and Capital Budget and FY 2010-15 CIP;
2. A method of funding the State's \$75 million take from the San Jose Redevelopment Agency over two years (Supplemental Educational Revenue Augmentation Fund payment (SERAF));
3. A proposal for the Parking Fund to make two annual bond payments for the 4<sup>th</sup> and San Fernando parking garage;
4. Options to move forward with a \$130 million revised proposal for expanding the San Jose McEnery Convention Center, including renovations to the existing facility; and,
5. A proposal to continue with a major restoration and renovation program of the Civic Auditorium and Montgomery Theatre, amounting to approximately \$4 million.

All of these proposals must be carefully balanced. It is imperative to recognize that modification to any one of the proposals will be at the expense of another.